Letter from **Chairman Philip Y. Brown**

The Public Employee Retirement Administration Commission is pleased to release this 2017 Annual Report reviewing the status of the Massachusetts' public pension plans.

The investment performance of the systems detailed in this Report generally tracked that of pension plans throughout the nation. Although in 2017 Massachusetts' returns ranged from 13.49% to 21.42%, most systems achieved returns between 17% and 19%. Most importantly, long-range performance for all systems exceeded 7.50% and, for 45 systems, equaled or exceeded 9.00%. We are also pleased to note that no system is deemed to be "underperforming" as that term is defined in Chapter 32.

This record is a testament to the dedication and wisdom exhibited by retirement board members over a long period of investing assets. For many, that record has been achieved by taking advantage of the PRIT Fund, while others have charted their own course. In general, the results have been excellent and have laid the ground work for reaching the funding goals we all wish to achieve.

Investment return assumptions used in connection with actuarial valuations of a retirement system's funding status impact the level of unfunded liability that must be amortized. As a result, the appropriation mandated pursuant to the funding schedule designed to amortize that liability is influenced by the choice of an investment return assumption. PERAC's Actuary, Jim Lamenzo, has been gradually reducing this assumption over the course of the last several years. That development reflects national trends as well as studies authored by investment consultants that analyze future expectations. Once again, PERAC has acted in conjunction with the retirement boards to prudently and responsibly ensure that progress towards funding our pension liabilities continues unabated.

As Chairman of PERAC, it is gratifying to see the hard work of Executive Director Connarton and his staff paying off in improvements that enable all of us to better serve system members and their beneficiaries. We are fortunate to have such intelligent, capable, and dedicated people working on your behalf. The progress reflected in this Report reflects the combined efforts of the retirement boards and PERAC staff to ensure that our pension law is administered in a uniform, efficient, and compassionate manner.

The PROSPER System has been up and running for over a year and the initial implementation of all phases has been completed. Although we continue to work on minor tweaks, a marked improvement in operations has been noted by staff as well as many retirement board members and administrators. This has been particularly evident in the expeditious processing of disability retirements. The system has streamlined this entire process from the establishment of medical panels to the final review and approval. At each stage, the system enables faster action and ultimately benefits the member who is awaiting the result of her or his application. Similarly, the procurement process managed by our Compliance Unit has improved and turnaround time dramatically reduced. We are in the midst of the transition to administering PROSPER internally and hope to complete that task by the end of the year. In the end, PROSPER will enable all of us to better serve retirement system members and their beneficiaries.

We have continued to expand our educational activities by conducting sessions aimed at the practical challenges faced by board administrators across the state. Three well-attended seminars underscored the need for such a program and PERAC has commenced planning for three more such events for later this year. Beyond this, our educational efforts for retirement board members reached a milestone of 10,000 hours completed earlier this year. In this regard, we are most proud of meeting the goal of the reform legislation passed several years ago. Now that our educational program has matured, retirement board members are benefiting from the review of a variety of relevant topics in forums scheduled in convenient locations across the state. We recognize there is more work to do and hope to expand our web based and on-line offerings to further enhance the convenience for those seeking to meet their mandated requirements.

Throughout the Commission's existence, we have issued this Report each year to provide a snapshot of the condition of the public pension systems in Massachusetts. This period has seen market bubbles burst, the emergence of new investment vehicles, legislation revising the benefit structure of Chapter 32, and the arrival of new retirement board members and staff. Through it all, the dedication of those charged with managing the retirement system for the benefit of members and beneficiaries has been a constant. The efforts of these individuals have preserved our defined benefit plan and established a pathway to fiscal security that will maintain these plans far into the future.

On behalf, not only of the Commission, but also the members of each system and their beneficiaries, let me offer sincere congratulations and profound thanks.

Sincerely,

Philip Y. Brown
Chairman